Weekly Economic Review

Retailers suffering from slowdown

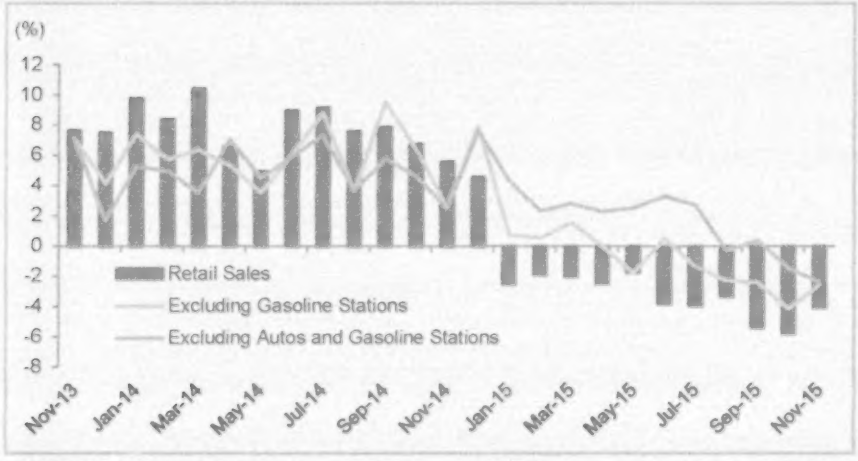
Retail Sales

No slack for struggling retailers

Alberta's retail sales rose by 1.4% to $6.3 billion in November, but the underlying slowdown hasn't abated. Compared to the previous year retail sales were down 4.1% and have steadily weakened over the past eleven months (Chart 1). Gas stations and vehicles and parts retailers, which both experienced declining sale values and volumes, were the two biggest drags on retail trade. Excluding these categories, retail trade was down 2.3% y/y, with eight out of eleven retail categories experiencing weakening sales. Health and personal care stores (7.3% y/y) and building and gardening equipment (5.3% y/y) retailers have held up. Year-to-date, retail sales were down 3.4%.

Chart 1: Retail sales have been relatively weak all year

Year-over-year change in Alberta retail sales



Source: Statistics Canada

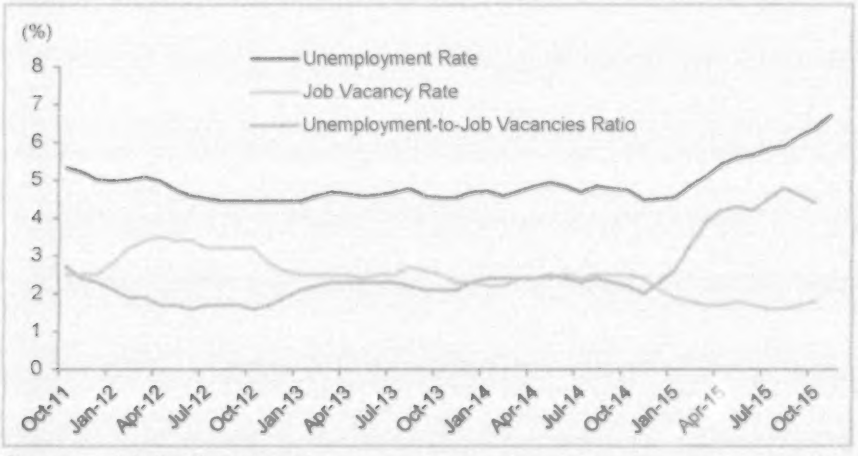
New Motor Vehicle Sales

Sales down for a ninth month

New motor vehicles sales totalled 17,778 in November, 3,360 fewer sales compared to the previous year. Sales declined on a year-over-year basis for nine consecutive months due in part to impressive growth over the preceding two years; sales are now back to 2012 levels. Both passenger car (-15%) and truck (-16%) sales were down on a year-over-year basis, with truck sales accounting for over 80% of the decline. The dollar value of new motor vehicle sales was $726 million, a decline of 16% y/y.

Chart 2: Fewer openings available for job seekers

Alberta labour market indicators



Source: Statistics Canada

Job Vacancies

Job opportunities remain low

Job vacancies moved up slightly in the three months ending in October, averaging 34,800. Compared to the previous year, vacancies were down 33% and 17,400 below the peak in October 2014. The job vacancy rate - the proportion of unfilled open positions - ticked up to 1.8% this month, but was down 0.7 percentage points from the previous year (Chart 2). The number of unemployed people for every job opening (i.e. the unemployment-to-job vacancies ratio) fell to 4.4 after peaking in August at 4.9. Canada's job vacancies averaged 233,500 through September, a 17,800 year-over-year decline.

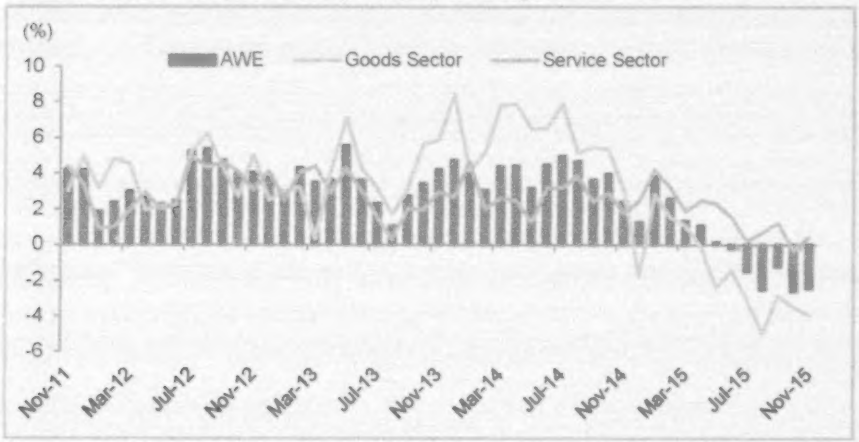
Average Weekly Earnings

Reduced wages and hours limit earnings

Average Weekly Earnings (AWE) in Alberta declined in November by 0.5% m/m to $1,130. Given the current strains on Alberta's labour market, weekly earnings growth waned for most of 2015 and remained down 2.4% y/y (Chart 3). Along with pay cuts, average weekly hours also declined. Earnings in the goods-producing sector contracted 3.9% y/y and continue to weigh on the province's overall AWE. Service sector earnings growth was modest, rising 0.4% y/y, dragged down by continued weakness in accommodation and food services earnings (-4.4% y/y). Canadian AWE also weakened, falling 0.3% m/m to $951.

Chart 3: Alberta's earnings growth have been weak all year

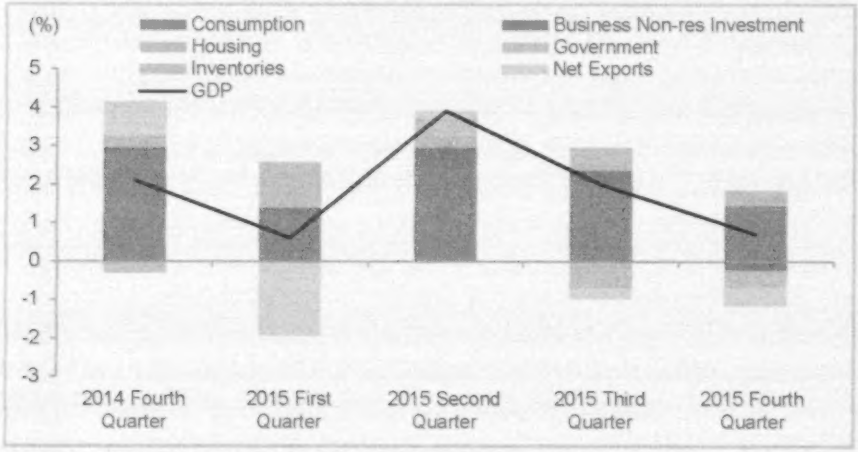
Year-over-year change in average weekly earnings



Source: Statistics Canada

Chart 4: US economy loses momentum as 2015 ends

Contributions to quarterly change in US real GDP at annual rates



Source: US Bureau of Economic Analysis

Canadian Real GDP

Economic growth resumes

Canada's economy improved in November, growing by 0.3% after stalling over the previous two months. Growth was led by goods production, which rose by 0.4%. Service industries grew by a lesser 0.2%. Oil and gas extraction proved a major contributor to monthly growth (2.0%), led by non-conventional oil production (3.4%). However, support activities for mining, oil and gas shrank for a third straight month and remain down by 49% compared to November 2014. Canada's agricultural (0.5%), utilities (1%) and manufacturing (0.4%) sectors also contributed to monthly growth. On the services side of the economy, wholesale (1.3%) and retail (1.2%) trade were up, as was transportation and warehousing services (0.8%).

US Real GDP

Slowed growth marks end of 2015

US real GDP growth slowed towards the end of 2015 to 0.7% (annualized) in the last quarter (Chart 4). Private sector investment fell -2.5% and subtracted 0.4 percentage points from growth - the largest drag stemming from private investment since the end of 2012. Investment in non-residential structures fell by 5.3% following a -7.2% decline in the third quarter, mostly due to cuts in energy sector investment. A draw-down in inventories and 2.5% drop in exports also reduced growth. Strong consumer spending continued to support growth. Residential investment rose 8.1% and consumer expenditures increased by 2.2%. Government spending increased as well, especially on national defense (+3.6%). On an annual basis, real GDP grew by 2.4% in 2015, unchanged from the previous year. The GDP deflator decelerated to 1.0%, down from 1.6% in the previous two years.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.